

Market and Economics Analysis for the Mt. Spokane Ski and Snowboard Park Master Facilities Plan

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1.0 Introduction

Mt. Spokane Ski and Snowboard Park operates under a concession agreement with the Washington State Parks and Recreation Commission. The alpine ski concessionaire, Mt. Spokane 2000, is proposing to improve the quality of the ski area experience and the quantity of terrain available for skiing by remodeling existing lodges, re-aligning chairlifts and trails, and providing additional terrain on the northwest-facing slopes of Mt. Spokane. (Within this document the words “ski” and “skiing” will include snowboarding and other winter downhill recreation experiences.) Mt. Spokane 2000 believes that the redevelopment and expansion of ski facilities will enhance the ski experience at the park while addressing key operational and financial shortcomings associated with the current facility.

This report documents Mt. Spokane 2000’s goals for improvements at the ski area. The existing conditions are documented and the market position of Mt. Spokane Ski and Snowboard Park is described relative to its nearest competitors, including past performance and projected future trends in the market. Finally, this report documents the ski area planning parameters and financial aspects of three conceptual improvement scenarios, which have been developed in conjunction with the Washington State Parks and Recreation Commission. While these ski area improvement scenarios have been incorporated into master plan concepts for the entire Mt. Spokane State Park, this report primarily addresses the Mt. Spokane 2000 concession, including its proposal to expand into the Potential Alpine Ski Expansion Area (PASEA).

2.0 Background and Purpose

The following section describes the background and purpose of improvements to the ski area, as identified by Mt. Spokane 2000. Sub-sections 2.3 and 2.4 of this section represent solely the perspective of the Concessionaire and do not represent the views of Washington State Parks.

2.1 Mt. Spokane Ski Area Operating History

Alpine skiing on Mt. Spokane began in the early 1930s, just after the formation of Mt. Spokane State Park. With the installation of the world’s first double chairlift in 1946, coupled with the growing popularity of the sport, skier visitation at Mt. Spokane continued to increase. During the early years, numerous organizations in the Spokane area contributed a considerable amount of human and financial resources to improve and expand the ski complex. These organizations formed a non-profit entity entitled the Mt. Spokane Association, which operated the ski facility until the mid 1950s, when the Washington State Parks and Recreation Commission (State Parks) awarded a concession agreement to a private operator, The Mt. Spokane Skiing Corporation (MSSC). The concession agreement between MSSC and State Parks expired on June 9, 1995.

In the early 1990s, a local organization called the “Mt. Spokane 2000 Study Group” was established to explore ways in which the ski area operation could more adequately serve the recreational needs of the alpine skier. Concurrently, with a mandate to manage Mt. Spokane State Park for the greatest benefit of all public users, State Parks commissioned a study to analyze the existing ski area operation and provide recommendations and guidelines for the future. This study – Mt. Spokane State Park Alpine Ski Area Study – was completed by SE GROUP (Sno.engineering) in 1992. Five years after the completion of the study, Mt. Spokane

2000 Study Group took over the concessionaire operation (October 1997) and has operated the area ever since. The current comfortable Carrying Capacity (CCC) of the ski area is 2,540.¹

New development onto the northwest facing slopes of Mt. Spokane has been discussed for many years. More recently, development on the northwest face of the mountain was noted as a potential expansion area in the 1992 study, as well as in the 1997 Concession Agreement. Also during 1992, the Department of Natural Resources identified the PASEA as being eligible for Natural Forest Area classification. At the Washington State Parks and Recreation Commission meeting of October 29, 1999, the Commission deferred any decision on the PASEA or other major capital developments in the Concession area until Mt. Spokane 2000 and State Parks approved a long-term master plan for the area.

The PASEA is included within the ski concession boundary and a portion of the PASEA was used for developed skiing. Prior to a 1952 fire, which destroyed a newly constructed lodge, the PASEA included the lodge, a parking area, three rope tows and ski trails. At the present time, the PASEA is unclassified in the agency's land classification system, pending further Commission consideration. The area has been inventoried as being eligible for "Natural Forest Areas" (NFA) status (1992), due to the pristine nature of the area. NFA classification prohibits the development of any facilities, including groomed ski runs and chairlifts, which are not consistent with the preservation and interpretation of natural forest processes. Conversely, in order for ski area development to occur, the area would be classified as "Recreation" or "Resource Recreation", both of which would allow for development of ski area facilities.

2.2 Mt. Spokane 2000 Operating History

The Mt. Spokane State Park Alpine ski Area Study (Sno.engineering, 1992) presented a comprehensive analysis of the ski area, including analysis of the facilities and infrastructure, a review of the ski area operation and comparison to other similar ski areas, analysis of the market, evaluation of skier survey results, a financial analysis and a discussion about the concession agreement. The report also included numerous recommendations and implementation guidelines that were intended to assist Washington State Park and the concessionaire in their efforts to improve the ski facility. These recommendations aligned with the goals and objectives of Mt. Spokane 2000.

In 1995, the concession agreement expired and Washington State Parks implemented a new contract based on recommendations from SE Group and Mt. Spokane 2000. The existing concessionaire was hesitant to adhere to operational guidelines in the new contract so the contract was put out to bid for a new concession contract. For two years the contract was open to bids, yet no interested ski area operator came forward. During this period, the concessionaire operated the ski area on a limited basis, with a low level of service. As a result, visitation at Mt. Spokane Ski and Snowboard Park suffered, with skier visits dropping from 70,000 in 1994/95 to 22,250 in 1995/96 (see Table 4.1-2).

¹ Comfortable Carrying Capacity (CCC) is defined as the maximum level of utilization of a ski area (the number of skiers that can be accommodated at any given time), which guarantees a pleasant recreational experience. The CCC figure is based on a combination of the uphill hourly capacity of the lift, the downhill capacity of the trail system, the total vertical rise of the lift system, and the total amount of time spent in the lift waiting line, on the lift itself, and in the downhill descent.

Citing the low level of service at the facility, Mt. Spokane 2000 secured a \$1,600,000 loan from Washington Trust Bank after private citizens put up a total of \$500,000 in cash and promissory notes. In October 1997 Mt. Spokane 2000 was awarded the concession contract and they purchased the proprietary interest in the ski area facilities. Public interest in Mt. Spokane Ski and Snowboard Park was slow to recover, with virtually no season pass sales during the 1997/98 Season. After its first year operating the ski area, Mt. Spokane 2000 realized 50,797 skier visits. Demonstrating further commitment to the success of the ski area, private citizens again donated another \$400,000 after the first season of operation.

Within the first four years of operation under Mt. Spokane 2000, ski area revenues increased from an average of \$1.4 Million to \$2.0 Million, allowing for the acquisition of three new groomers at a cost of \$540,000. Other improvements during this period included improvements to food and beverage service and additional services at Lodge 1. The operating schedule for Chair #4 was increased from weekends and holidays only to a five day per week schedule. Lodge #2 was remodeled at a cost of \$300,000 and a new deck was added to Lodge #1 at a cost of \$15,000. Mt. Spokane 2000 focused on customer service by sponsoring uniformed, friendly lift attendants, improved signage and new brochures. To further improve the ski area offering for beginners and lower level enthusiasts, Mt. Spokane 2000 purchased over 400 pairs of rental skis at a cost of \$120,000 and 300 rental snowboards at a cost of \$90,000. Over 100 ski and snowboard instructors were trained and the concessionaire increased the number of ski/snowboard lessons from 1,100 people the first year, to 4,400 people the second year, 12,500 people the third year, and 18,000 by year four.

Mt. Spokane 2000 continues to operate the ski area as a non-profit organization, with a commitment to the people of Spokane and surrounding areas. Building upon the improvements in the first four years, Sno.engineering's 1992 recommendations have virtually all been implemented to improve the quality of the ski experience at Mt. Spokane. Mt. Spokane continues to receive donations and sponsorships from the community in excess of \$100,000 per year.

From the 1997 to 2001 ski seasons, Mt. Spokane's skier visitation steadily increased (see Table 3.2-1). During the subsequent 5 ski seasons, skier visitation numbers have oscillated between a record high season in 2001/02 to a record low in 2004/05, due principally to snow conditions.

2.3 Improvement Goals

The non-profit status of the concession operation at Mt. Spokane Ski and Snowboard Park, coupled with the condition of the existing facility, creates an economically unique situation for a ski area operator. The concessionaire has operated the area with a significant amount of debt since taking over the area. Up to now, the concession has not generated a great deal of capital for debt service and/or improvements to the ski area. With its out-dated facilities and low snow retention relative to the market competition, Mt. Spokane Ski and Snowboard Park is challenged to draw the additional skier visits that are necessary to raise capital for improvements and debt service.

Current challenges to a ski operation such as Mt. Spokane 2000 include competition from other recreational pursuits, and the potential for climate change to reduce snowpack in mountainous regions. As described in Section 4.0 – Market Area and Competition, the ski industry has

responded to these challenges through improvements to the quality of the ski experience as well as the diversity of recreational experiences offered, including year-round uses.

Without improvements to the existing facilities or development of new facilities that provide for an increase in visitation, realization per skier visit, and pricing structures more consistent with competing ski areas, Mt. Spokane Ski and Snowboard Area will likely not be poised to generate sufficient revenues and operating cash to improve the skier experience or diversify the recreational offering at the ski area. As a result, Mt. Spokane Ski and Snowboard Park will become less and less positioned to meet the demand for a quality recreation experience. Sections 4.0 and 5.0 provide greater detail regarding the market and economic aspects of the operation.

Mt. Spokane 2000 has established goals for addressing this difficult situation. The following provides a brief description of these goals followed by a more detailed discussion of the needs for improvement at the ski area.

2.3.1 Stabilize Income Stream

As a local, day use ski area, Mt. Spokane Ski and Snowboard Park has limited opportunities to realize a stable income stream, which is largely driven by skier visitation (i.e., the number of skiers that visit the area each year), realization (i.e., the revenue generated per skier visit) and pricing (i.e., the cost of lift tickets and other goods/services). Skier visitation relies on factors such as snow conditions, the market and economic climate, and the actions of competing ski areas in the market. Realization is a function of skier spending, including lift tickets or season passes, food and beverage, rentals, ski lessons and retail operations.

As a non-profit operation, Mt. Spokane Ski and Snowboard Park relies heavily on volunteer and in-kind services – both of which are typically paid in lift tickets or season passes. By paying in lift tickets and season passes, the ski area loses the opportunity for revenue that would be generated by the sale of these passes/tickets. Conversely, the ability to compensate for these services offsets cost that would otherwise be borne by Mt. Spokane 2000 to pay for these services.

While it is not expected that the non-profit operating model can be dramatically altered, Mt. Spokane 2000 has established a goal to stabilize the income stream through increased and stabilized visitation. Skier visitation can be increased by providing additional capacity (i.e., more skiers at one time), a longer ski season (i.e. – more opportunity for Mt. Spokane skiers to visit the area in any given season), and by improvements to the facilities at the ski area (i.e., a better recreation experience for ski area visitors). Also supporting this goal, Mt. Spokane 2000 believes that its revenue per skier visit can be improved through moderate revisions to the operating model and enhanced opportunities for ski area guests to benefit from guest services such as food and beverage, rentals, ski lessons and retail.

2.3.2 Increase the Length of the Ski Season

Since 1995/96, the Mt. Spokane Ski and Snowboard Park has operated an average of 83.5 days per ski season, including an all-time low of 29 operating days during the 2004-05 winter (the worst snow year on record), and an all-time high of 103 days during 2001/02 (refer to Table 4.1-3). The primary limitation on early- and late-season operations is related to snow retention on the lower portions of the south-facing slopes, in the vicinity of Chairs 2, 3 and 5. A local, day-use ski

area in the Pacific Northwest typically strives for an operating season that lasts at least 120 days. Mt. Spokane 2000 has evaluated opportunities to increase snow cover in the early and late season. Options include the installation of snowmaking infrastructure to provide better coverage on the existing terrain as well as the establishment of new terrain on the north-facing slopes in the Chair 4 pod and the PASEA.

2.3.3 Increase the Capacity of the Ski Area to Allow More Skier Visits

On peak visitation periods such as weekends and holidays, Mt. Spokane Ski and Snowboard Park often becomes overburdened. For example, during these busy periods it is common for the parking areas to become full. When the parking lots are full the ski area occasionally has to turn people away.² Similarly, when the food and beverage areas are full, many ski area guests are not able to patronize the restaurant and they resort to brown bagging or leaving the area. On the mountain, lift line wait times are typically excessive, and are compounded by beginner and low intermediate level skiers being required to negotiate the many intermediate and advanced intermediate trails. The continual erosion of the ski experience in this manner results in a loss of skier visits to other competing ski areas where these problems do not exist, or at least have been addressed. Mt. Spokane 2000 believes that by providing additional capacity for guests, more skier visitation will result at the ski area. Such a capacity increase would include additional parking near the base area, additional food and beverage areas, improvements to the rental and ski school areas, and the lift/trail capacity.

2.3.4 Increase the Realization on Each Skier Visit

As described in Section 5.0, Mt. Spokane 2000 realized \$22.86 of revenue for each skier visit (measured as a lift ticket or a season pass visit) during the 2005-06 ski season. With a lead ticket price of \$35.00, this represents a realization of 65%. Typically, local, day-use ski areas in the Pacific Northwest seek to realize 75% or more from each skier visit to provide economic stability. Through its non-profit operating model, Mt. Spokane 2000 subsidizes many programs such as Blind/Adaptive skier programs, youth ski racing, bus transportation, discounted “learn-to-ski” programs and believes that volunteer and in-kind services are a cornerstone of its role as Spokane’s “community hill”. Nonetheless, improvements to the operating model may be realized by incorporating the loss of revenue from such programs into the economic model. By increasing the opportunity for guests to experience food and beverage, ski lessons, rentals and other retail operations, and by improving the quality of these experiences, Mt. Spokane 2000 believes that the revenue per skier visit could be increased to 75% of the lead ticket price, resulting in both improved financial performance and cash flow.

2.3.5 Respond to the Potential Effects of Global Warming

The scientific community has developed many models and predictions of snow conditions in the future. The majority of these models predict that snow levels will rise, average temperatures will increase and the length of the ski season will shorten as a result of climate change or “global warming”. The vast majority of ski terrain at Mt. Spokane Ski and Snowboard Park is located on south-facing slopes, which in the northern hemisphere, receive the most solar radiation and retain snow less than any other slope aspect. Under the current operation, the length of the ski season is limited by snow retention in the lower elevations on these slopes where “solar decay” causes

² During the 2005-06 season, the ski area turned people away on four occasions due to full parking lots (McQuarry, 2006).

early season snows to melt away more quickly and the late-season spring snow to melt out earlier in the season. If the climate change modeling is accurate, this situation will degrade over time.

Mt. Spokane 2000 proposes snowmaking as a short-term solution to this issue on key trails that access the base area. However the quality of the ski experience would suffer at a time when all skiers on the mountain must traverse the man-made snow trails to access the bottom terminal of the lifts. Therefore, Mt. Spokane 2000 proposes additional terrain on more north-facing slopes as the best long-term solution to address climate change. The northern slopes at Mt. Spokane Ski and Snowboard Park provide better snow retention in the early- and late-season under the current climate. For example, if the concession operation included skiing in the PASEA, Mt. Spokane 2000 asserts that the 2004-05 season could have operated from November 26, 2004 to March 24, 2005 as opposed to the 29 days that they were able to operate on the south-facing slopes (McQuarry, 2006). Furthermore, even with the early start in the 2006-07 season, the Concessionaire asserts that the PASEA would have provided skiable terrain beginning on November 18, while the ski area opened on November 24, when sufficient snowpack was available on the lower, south-facing slopes at the base area (McQuarry, 2006).

2.3.6 Promote Recreation Consistent with the Mount Spokane State Park Management Plan

In March 1996, Washington State Parks initiated a state-wide program called the Classification and Management Planning (CAMP) Project, whose role in park planning is to classify park lands and prepare park management plans. Management planning at Mt. Spokane State Park was the first state park CAMP process to work with an appointed park advisory committee. The resulting land classification and long-term boundary were approved by the Washington State Parks and Recreation Commission on October 29, 1999. The Mount Spokane State Park Management Plan (WSP, 2003), completed in September 2003 describes the balance of recreational use with protection of cultural and natural resources in the park. This plan includes management objectives for recreation, including

“downhill skiing and ski boarding; tubing and other alpine events”. (WSP, 2003 at p. 12)

Similarly, the objectives for Park Enterprise include:

“Enhancing public services via revenue generating programs...Such enterprise efforts may include commercial facilities and programs....continue to work with the ski area concessionaire to identify opportunities for enhanced public services through concession operation.” (WSP, 2003 at p. 12).

The Washington State Parks Commission does not directly operate a ski area at the park. Rather, the Mt. Spokane Ski and Snowboard Park concession agreement “leases” the operation of the ski area to Mt. Spokane 2000. Through its concession agreement, Mt. Spokane 2000 operates the ski area in order to help meet the objectives for recreation and park enterprise. The concession agreement enables Washington State Parks to offer public recreation experiences at the ski area that otherwise would not be possible. In order to continue to provide this experience, the future and economic viability of the ski area is of concern to Washington State Parks.

2.4 Statement of Needs

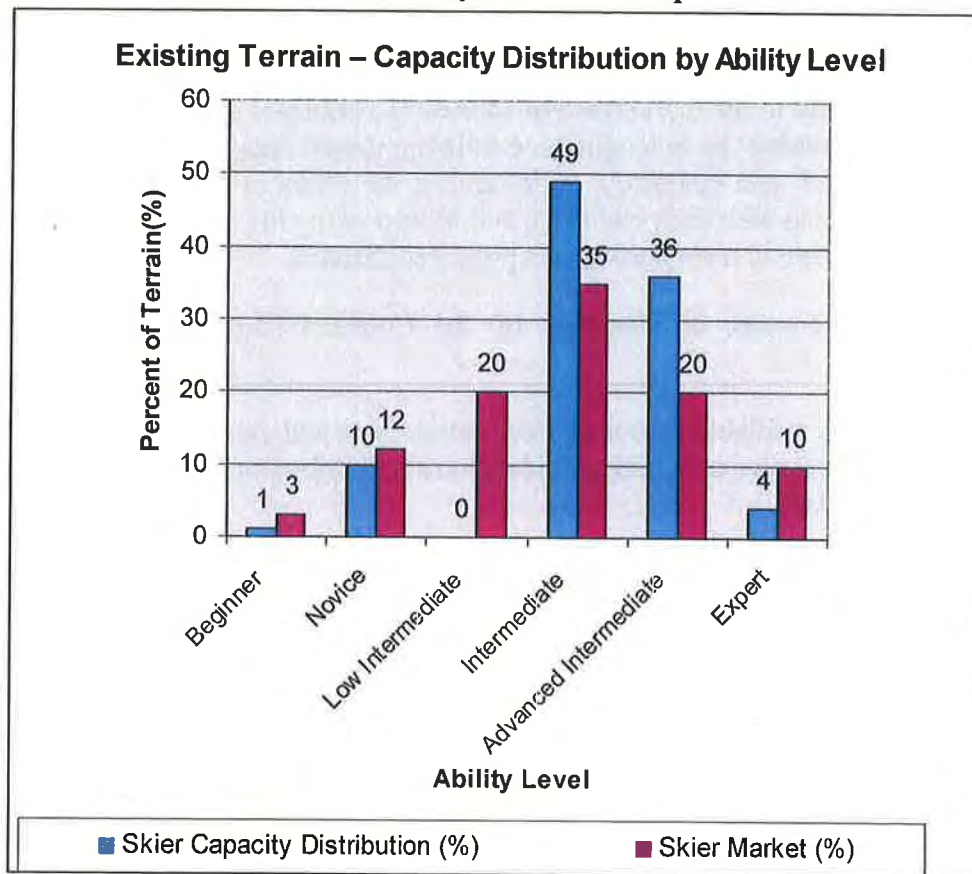
The purpose of improvements to the winter recreational opportunities at Mt. Spokane Ski and Snowboard Park, as identified by Mt. Spokane 2000, include 1) Increasing available beginner, low intermediate and expert skill-level terrain within the concession area, and providing a terrain distribution that better matches industry standards; 2) Increasing the length of the ski season to better match competition in the market and to address the potential effects of climate change; 3) Increasing skier opportunities by extending and utilizing the ski area's existing ski trail system in a more efficient manner, and increasing opportunities for skiers to circulate between pods (the ski trail system associated with each chairlift); and 4) improving the quality and capacity of guest services and infrastructure to meet current and projected demand.

The need for improvements, as identified by the Concessionaire, is elaborated on in the following sections.

Purpose: Increase available beginner, low intermediate and expert skill-level terrain within the concession area, and provide a terrain distribution that better matches industry standards.

Need: **Terrain distribution** - As shown in Illustration 2.4-1, Mt. Spokane exhibits a considerable deficit of terrain for beginner, low intermediate and expert skiers when compared to the normal "bell curve" exhibited by the skier market. There is no low intermediate terrain (0%) provided at Mt. Spokane Ski and Snowboard Park, while the skier market reflects 20% as the desired acreage for low intermediate skiers (see Illustration 2.4-1). In addition, Mt. Spokane Ski and Snowboard Park currently exhibits beginner terrain on 1% of its slopes, yet the skier market indicates that the market demands that 3% of the area contain terrain of this ability level (see Illustration 2.4-1). Expert level terrain is also below market demand, with only 3% of the terrain providing for expert skiers, while the market demand reaches 10%. The shortage of beginner and low intermediate terrain compels skiers of these ability levels to ski on terrain that is too advanced for their skill level. Therefore, there is a need to increase the proportion of both beginner and low intermediate terrain at Mt. Spokane to better meet the needs of beginner and low intermediate skiers. Conversely, with a lack of adequate expert terrain, expert skiers must use the abundance of intermediate and advanced intermediate terrain, which detracts from the quality skiing experience that expert skiers demand. Thus, there is a need to increase the availability of expert terrain.

Illustration 2.4-1:
Existing Skier Distribution by Skier Ability Level at Mt. Spokane Ski and Snowboard Park



Source: Reprinted from Sno.engineering 1992 Report

Note – Skier/Rider Market preference is adapted from USFS Winter Sports Handbook and SE GROUP (USDA 1992; SE GROUP 2007)

Purpose: Increase the length of the ski season to better match the competition in the market and to address the potential effects of climate change.

Need: Terrain and infrastructure to support a longer ski season - Mt. Spokane has historically benefited from consistently cold winter temperatures and an average annual snowfall of about 150 inches. The existing ski lift and trail network is primarily situated on the southeastern exposure between a base elevation of approximately 4,300 feet and the summit of the mountain at approximately 5,900 feet elevation. As annual snow deposition has varied significantly over the last 10 years, the 4,100-foot level has emerged as the critical snowline. As a result, C-4 and the location of the ski resort on the southeast aspects of Mt. Spokane has restricted the operation of Mt. Spokane Ski and Snowboard Park, especially early and late in the season, due to the lack of snow in the lower terminal and base areas. Predicted climate change could augment this effect due to the relative lack of north-facing terrain. There is a need for additional north-facing terrain and

snowmaking on key existing trails to provide better snow retention, increased operating days, and to address climate change.

Purpose: Increase skier opportunities by extending and utilizing the ski area's existing ski trail system in a more efficient manner and to increase opportunities for skiers to circulate between pods (the ski trail system associated with each chairlift).

Need: Better circulation and use of terrain - The ski area's existing ski trail system inhibits efficient skier circulation between pods. The lack of decision points at or near the bottom chairlift loading terminals limits skier circulation and the ability of the area to disperse skiers to and regulate lift line waits at any given time of the day. There is a need to improve the existing lift and trail alignments, and to create additional trails to provide for greater circulation on the mountain.

Purpose: Increase the quality and dispersal of guest services facilities and other infrastructure to better meet existing and projected demand.

Need: Higher quality/modernized guest services facilities and infrastructure, and greater dispersal of guest services facilities on the mountain – The existing guest services facilities and infrastructure are outdated. Although the current CCC can be accommodated, the quality of food service seating, ski school facilities and other guest services is below industry standards. The current location of guest services facilities results in periods of crowding in the base area. The existing water and wastewater infrastructure have reached their useful lives and are operating at capacity. There is a need for modernization and greater dispersal of guest services in the base area and on the mountain. There is also a need for upgrades or replacement of the water and wastewater treatment facilities.

3.0 Existing Situation

The following section describes the existing situation for facilities, skier visitation, parking and utilities, capital budget for maintenance and upgrades, and financial performance for Mt. Spokane Ski and Snowboard Park.

3.1 Facilities

Mt. Spokane is conical in shape with a large natural open area on the southeast exposure near the summit. The remainder of the mountain is heavily forested with a wide range of forest-types by elevation and aspect, including sub-alpine fir parkland, and white fir, western hemlock, western red cedar, larch, Douglas fir, ponderosa pine, and lodgepole pine.

Mt. Spokane is characterized by steep slopes, with several prominent ridges and numerous small drainages located around the mountain. Within the existing ski area, several of the drainages carry perennial streams and/or seeps, which create some problems with skier routing on certain trails. Overall, the terrain at Mt. Spokane is predominately suited for intermediate to advanced skiers.

The expansion terrain is identified as a “Potential Expansion Area” in an attachment to the 1997 Concessionaire Agreement and is referred to as the PASEA in this document. The northwest side of the area is defined by the extents of the Chair 4 terrain (Skid Road trail) to the east, a ridgeline above Blanchard Creek to the west, and a forest access road, which is maintained for snowmobile use in the winter, to the northwest. The terrain slopes predominantly toward the northwest.

3.1.1 Existing Guest Service Facilities

There are a total of 1,458 food service seats (including inside and outside seating) located in the existing 2 lodges, the Vista House, Ski Patrol Building and Ski Racing Room.

Seating is provided at the 2 base area lodges for a total of 1,086 skiers, including the cafeteria, bar and sundeck areas. Lodge 1 is a two-story structure that is primarily use on weekends the upper floor is dedicated to food service seating, providing approximately 378 inside seats and 78 outside/deck seats. Lodge 2 is the primary guest service area and is open at all times when the ski area is in operation. This two story building provides the main cafeteria and food service seating on the second floor, with approximately 544 inside seats and 86 outside/deck seats. Guest seating is also provided in the Vista House (with approximately 42 seats inside and 24 seats outside), the Ski Patrol Building (with approximately 242 seats inside), and the Ski Racing Room (with approximately 64 seats inside).

Based upon a total average of seat turnover of approximately three skiers per day, the lodges adequately provide comfortable seating for approximately 3,258 skiers. While this is greater than the total CCC of the lift and trail system (see Section 3.1.4), the distribution of skiers on the mountain causes over-utilization of Lodge #2 at times, resulting in crowded conditions at that location. Additionally, the physical layouts of the food service areas in both lodges are inefficient and the facilities are outdated.

Skier service functions such as ski rentals/repair, retail, daycare, and ski school are conveniently located to Lodge #2. However, these services are not provided at Lodge #1.

3.1.2 Existing Lifts

Mt. Spokane currently has 5 double chairlifts (see Table 3.1-1). Chair 1 has a relatively low capacity and serves primarily advanced intermediate and expert terrain from Lodge #1 area of the mountain. Chair 5 emanates from the Lodge #2 base area and serves as the main beginner lift, as well as access to Chairs 2 and 3. Chair 2 serves intermediate to expert terrain and is typically the most popular lift on the mountain. All lifts can be accessed from Chair 2. Chair 3 can be accessed via a gentle traverse from Lodge #2 through the beginner area, and serves primarily novice and intermediate trails. Chair 3 is also the main access lift to Chair 4, which serves intermediate to expert terrain on the north and northeast slopes.

**Table 3.1-1:
Existing Lift Specifications**

Name	Length	Vertical	Hourly Capacity
Chair 1	4,100	1,514	700
Chair 2	3,528	1,299	920
Chair 3	3,577	824	1,200
Chair 4	4,188	1,473	1,100
Chair 5	961	149	1,000

Source: Sno.engineering (1992)

3.1.3 Existing Terrain

The formal trail system, which includes trails identified on the trail map and used on a frequent basis, is made up of a network of approximately 35 trail segments and accounts for approximately 150 acres of terrain. In addition to the formalized trail network, Mt. Spokane also has approximately 130 acres of off-piste terrain, which includes tree and open skiing opportunities in the vicinity of formal ski trails within the existing ski area boundary.³

Illustration 2.4-1 shows how Mt. Spokane Ski and Snowboard Park's existing terrain capacity distribution compares with the ideal breakdown for the local skier market. Mt. Spokane Ski and Snowboard Park currently has a large supply of intermediate and advanced intermediate ski terrain, and a deficit of beginner, novice and low intermediate terrain. In order to provide the highest quality recreation experience possible, a ski resort should have a terrain capacity distribution that closely reflects its specific market distribution.

3.1.4 Existing Comfortable Carrying Capacity

The CCC figure is based on a combination of the uphill hourly capacity of the lift, the downhill capacity of the trail system, the total vertical rise of the lift system, and the total amount of time spent in the lift waiting line, on the lift itself, and in the downhill descent. The existing CCC for Mt. Spokane is approximately 2,540 skiers, as shown in Table 3.1-2.

**Table 3.1-2:
Existing Comfortable Carrying Capacity**

Lift	Length (ft.)	Vertical (ft.)	Hourly Capacity	VTF/hr. (000)	CCC
Chair 1	4,100	1,514	700	1,160	425
Chair 2	3,528	1,299	920	1,195	600
Chair 3	3,577	824	1,200	989	540
Chair 4	4,188	1,473	1,100	1,620	750
Chair 5	961	149	1,000	149	225
Total				5,013	2,540

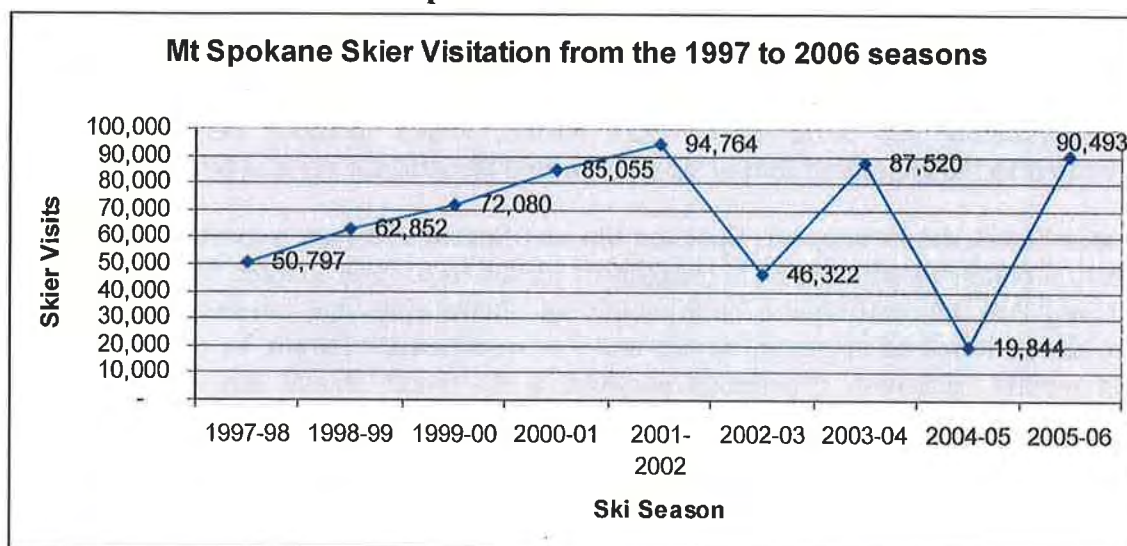
Source: Sno.engineering (1992)

³ The term "off-piste" in this document refers specifically to terrain that is not recognized as formal trails within the current ski area (e.g., tree skiing in the Chair 4 pod). The PASEA realizes use by skiers who ride a lift to the summit and then descend through the PASEA to the catch road and then hike up to the base of Chair 4. Because this activity is not contained within the formal terrain, these users are considered "backcountry" users.

3.2 Skier Visits

From the 1997 to 2001 ski seasons, Mt. Spokane's skier visitation steadily increased as demonstrated in Table 3.2-1. During the subsequent 5 ski seasons, skier visitation numbers have oscillated, including a record high (2001/02) and a record low (2004/05). Excluding the lows, which include the low-snow 2004/05 season (29 operating days due to extremely low snowpack) and the 2002/03 season (62 operating days due to opening after Christmas and closing early due to El Nino snow/rain patterns) the high skier visits exhibit the top 3 skier years since Mt. Spokane 2000 took over the concession operation.

**Table 3.2-1:
Mt.
Spokane Skier Visitation**



Source: PNSAA, 2006a

3.3 Parking and Utilities

The parking lots are located near Lodge #1 and 2, which combine to provide approximately 1,000 vehicle spaces. Based upon an average occupancy of 2.7 people per car (McQuarry, 2006), the current parking area will accommodate approximately 2,700 visitors. On peak days where visitor numbers exceed the average use pattern, skiers park along the access road. Occasionally, on peak days the parking at the ski area and over-flow lots is filled and guests arriving later in the morning may be turned away.

The maintenance building is situated in an area which provides good road and ski trail access. The structure is adequate for the current size of the operation and the potential exists to add space as needed in the future.

Utilities, including power, water, sewer and telephone presently serve the needs of the ski area operation. No comprehensive analysis has been conducted to determine the extent of improvements needed for utilities in the future. The existing water supply may be operating at its maximum capacity, as evidenced by the supply well, which tests at approximately 14 gallons per minute (gpm) in the early ski season and then decreases to approximately 4-5gpm during the

peak holiday period. Similarly, the existing wastewater treatment system (septic and drainfield) has not been specifically analyzed but appears to be operating at maximum capacity. Mt. Spokane 2000 has not evaluated the operational condition or capacity of the water and wastewater systems and no analysis of the extent of improvements for future development has been made. It is expected that these analyses will be conducted as a component of the master facilities planning process for Mt. Spokane ski and Snowboard Park.

3.4 Capital Budget for Maintenance and Upgrades

There is currently no identified budget for maintenance or upgrades of the existing ski resort. The concessionaire typically benefits from volunteer and in-kind services, which allow for upgrades and improvements to the area with minimal capital costs to the operation. For example, funding for the proposed Guest Service Building at the base of Chair #3 is well under way. The Mt. Spokane Ski and Snowboard Park Ski School has taken ownership of the fundraising for the last few years. In 2005/06 they raised over \$45,000 from a vehicle raffle. For 2006/07 they have a sponsored vehicle through SCION NW and all proceeds will go directly to the building fund. They are anticipating having over \$100,000 in the project fund before the end of the season.

Another example of the benefit of volunteers and in-kind services is the Ski Patrol building near the base of Chair #3, cost the ski area zero dollars. The concessionaire gave out multiple years of season passes and corporate passes in payment for volunteer efforts during the planning and construction of the building, but no money was spent.

Mt. Spokane Ski and Snowboard Park also realizes significant in-kind contributions from local sponsors, including:

- Coffman Engineering-Engineering/Architecture
- Northwest Management-Foresters/Consulting
- Dix Corporation-Commercial Construction Contractors
- Garco Construction- Commercial Construction Contractors
- Flag Steel- steel fabricators and suppliers
- C'dA Metals- steel fabricators and suppliers
- Central Pre-Mix Concrete-concrete supplier
- Cobra Roofing-roofing supplier/contractor
- Coast Crane-Crane and Equipment supplier
- Rowand Machinery-Construction Equipment
- Columbia Paint-Painting supplies

Concession management anticipates that this level of volunteerism and sponsorship would remain constant throughout any future improvements at the ski area.

3.5 Concession Rent

Under the concession agreement, the concessionaire provides Washington State Parks with a concession rent that is calculated on a sliding scale, based on annual gross revenues. Table 3.5-1 details this payment schedule.

**Table 3.5-1:
Concession Fees to State Parks**

Gross Revenue	Concession Rent Percentage (%)
\$0 - \$500,000	0.0%
\$500,001 - \$1,000,000	7.0%
\$1,000,001 - \$1,500,000	6.0%
\$1,500,001 - \$2,000,000	5.0%
\$2,000,001+	4.0%

Source: pers comm., McQuarrie, 2006

For the 2005-06 operating season, the concession paid approximately \$93,000 in concession rent on revenues of approximately \$2.2 Million.

4.0 Market Area and Competition

4.1 Existing Conditions

The following section describes the existing market area competition situation for the Mt. Spokane Ski Resort.

4.1.1 Northwest Market and National Trends

National Trends

Alpine skiing was viewed as an adventure sport in the 1950s as it became prevalent with the installation of new lifts. As ski areas and ski lifts became more widespread in the 1960s, alpine skiing became more recognized as a sport. During this decade, both the 1960 Olympics at Squaw Valley and the 1968 Olympics acted as catalysts for growth. In fact, a total of 113 new ski areas opened in the U.S. in 1967, more than any other time in the history of the sport. This growing interest in sports and competition shaped the view of alpine skiing well into the 1970s when condominiums and mountain resorts became part of the lifestyle. The continued improvements of new lifts and equipment made the sport much more accessible to the general public and soon the sport of skiing became a form of recreation. The recreational aspects of the sport were embraced all through the 1980s and into the 1990s. Alpine skiing has continued to be both a sport and recreation in the last decade; however the activity has more recently been viewed as entertainment and a community amenity. Today the sport is considered to be multi-faceted, multi-generational and closely associated with an active outdoor lifestyle. Ski areas are also now viewed as an important community amenity throughout the U.S., as many people have moved to smaller communities as a lifestyle choice.

While skier visitation was generally “flat”, hovering around 54 million annual visits during the early 1990s and declining relative to population growth, the National Ski Areas Association (NSAA, 2003) current trends suggest that skiing is now in a rebound mode, breaking all time visitation records in 2000/2001 (57.3 million) and again in 2002/2003 (57.6 million). Despite a very difficult season in the Pacific Northwest, skier visits reached 56.9 million in 2004/05, following 57.1 million in 2003/04. Another record-setting 58.8 million skier visits occurred during the 2005/06 season. During the ski seasons 1994/95 through 2005/06, the U.S. has seen an overall increase in skier visits of approximately 12% (Illustration 4.1-1). During this same period the United States population increased from approximately 260.3 million (1994) (<http://www.census.gov/prod/1/pop/p25-1127.pdf>) to approximately 299 million (2006) (<http://www.prb.org/pdf06/06WorldDataSheet.pdf>). This represents a growth of approximately 15% during this period.

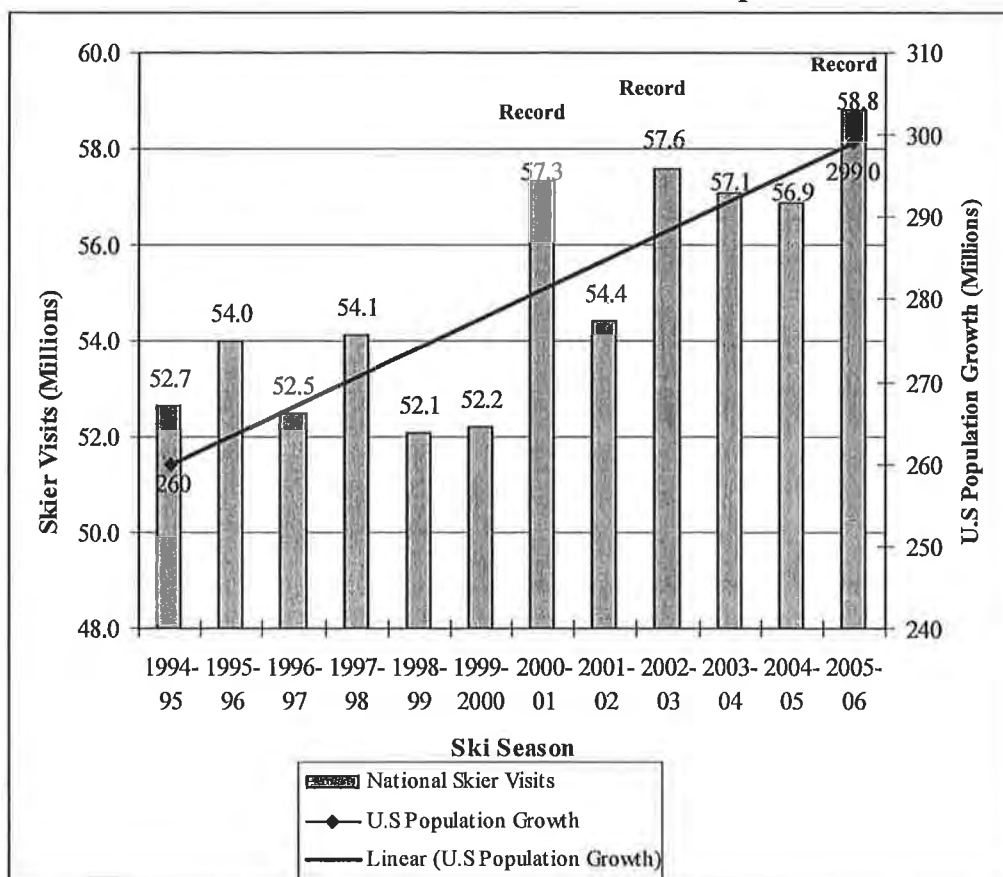
National Visitation

Illustration 4.1-1 charts national skier visitation for the ten year period from 1994/95 to 2005/06. The U.S. ski industry has, as a whole, performed comparatively stronger between 2000 and 2006 than in the early 1990s, with three record-setting seasons in six years, including:

- A record-setting 57.3 million skier visits during the 2000/01 season (NSAA, 2005).
- The 54.4 million 2001/02 season - despite September 11, the economic recession, and comparatively poor snow everywhere except the Pacific West⁴ (NSAA, 2005).
- A record-setting 57.6 million skier visits during the 2002/03 season (NSAA, 2005)
- Another record-setting 58.8 million skier visits during the 2005/06 season (NSAA, 2006).

These stronger results suggest that the ski industry may have moved toward increasing visitation patterns that are better matched to population growth than in the early 1990s (refer to Illustration 4.1-1).

**Illustration 4.1-1:
National Skier Visitation 1994 – 2006 and U.S. Population Growth**



Source: NSAA, 2006; <http://www.census.gov/prod/1/pop/p25-1127.pdf>;
<http://www.prb.org/pdf06/06WorldDataSheet.pdf>

Oregon and Washington Visitation

During the 2001/02 season, Oregon and Washington both reported all-time record visitation for the first time (see Table 4.1-2) (Kottke, 2003). In the subsequent year (2002/03 season), the Pacific West⁴ was the only region to record a drop in skier visits (-12.6%) relative to the previous season (due to substantially worse snow and weather conditions – snowfall was down approximately 19%). The region nonetheless recorded its 10th largest season in terms of visits out of 25 seasons on record. Within the Pacific West, the Northern Pacific West resorts (Washington, Oregon, Northern California) were down sharply (-25.4 percent), while smaller losses were recorded in the Tahoe area (-4.4 percent) and Southern California/Southern Nevada/Arizona (-2.3 percent) during the 2002/03 season. The 2005/06 season showed another record year for Oregon resorts and a near-record season⁵ for Washington resorts (PNSAA, 2006).

⁴ The Kottke survey does not distinguish between the Pacific Northwest and the Southwest. The Pacific West includes Washington, Oregon, California, Nevada and Arizona.

⁵ Record visitation in Washington State occurred during the 2001/02 ski season with 2,151,544 visits. The 2005/06 season visitation was only 13,614 visitations short of meeting the record, with 2,137,930 ski visits.

Skier visitation in Washington has fluctuated widely over the past decade. While unpredictable weather patterns are largely blamed for Washington's inconsistent or lack of skier visit growth, the absence of substantial lift upgrades, terrain expansion, and snowmaking capability, combined with competition from other regional destination resorts, such as Whistler/Blackcomb, Sun Valley, Big Sky, and a host of Colorado, Utah, and Tahoe area resorts have also contributed to the lackluster performance in Washington (Kottke, 2003).

**Table 4.1-2:
Washington State Skier Visits from 1994 to 2006**

SKI AREA/RESORT	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Cascade (snowcat)	dno	dno	dno	250	679	329	nr	nr	dno	632	nr	nr
Crystal	320,983	264,633	302,673	318,536	311,335	332,276	230,506	391,595	255,370	348,933	123,242	371,811
49 Degrees North	50,914	43,000	49,925	52,210	66,164	65,922	59,905	76,866	52,503	71,508	28,016	75,639
Hurricane Ridge	3,425	nr	2,784	4,198	2,136	5,142	2,958	5,415	3,914	5,235	dno	2,541
Leavenworth (n-m)	5,040	8,563	14,200	14,250	12,300	12,249	12,300	6,238	7,128	8,966	3,288	16,194
Loup Loup (n-m)	22,168	26,420	15,559	9,215	27,000	15,935	5,700	16,000	13,907	13,434	1,180	19,721
Mission Ridge	105,738	84,764	92,570	79,091	96,529	108,194	91,372	111,162	89,815	109,085	23,021	116,387
Mt. Baker	134,728	111,504	111,246	114,534	124,477	138,602	123,493	134,822	107,472	115,000	81,322	204,000
Mt. Spokane	70,000	22,250	nr	50,797	62,852	72,080	85,055	94,764	46,322	87,520	19,844	90,493
North Cascade (helicopter)	368	488	522	331	409	663	594	428	360	389	212	nr
Sitzmark (n-m)	2,144	2,139	2,989	2,080	nr	2,027	1,346	nr	nr	nr	nr	nr
Ski Bluewood	54,225	10,067	45,851	48,007	54,501	49,332	49,836	61,679	27,048	43,024	3,393	37,452
Stevens Pass	403,343	307,484	392,437	379,591	404,204	485,522	426,100	498,367	378,868	450,222	133,785	452,456
Summit at Snoqualmie	490,310	436,239	476,218	410,334	502,200	506,021	507,783	611,638	328,746	475,006	55,173	618,531
White Pass	98,666	82,318	83,555	103,332	105,833	130,152	114,415	142,570	123,349	131,226	19,061	132,705
Total, WASHINGTON	1,762,052	1,399,869	1,590,529	1,586,756	1,770,619	1,924,446	1,711,363	2,151,544	1,434,802	1,860,180	491,537	2,137,930

nr = No Record

dno = Did Not Operate

Source: PNSAA, 2004, 2006.

4.1.2 Competition in the Local Market

The Mt. Spokane Ski and Snowboard Park operates in the local, day-use skier market, indicating that the ski operation does not provide lodging or other vacation-oriented amenities such as those offered by regional destination (e.g., Mt. Bachelor, Schweitzer) or destination resorts (e.g., Big White, Whistler, Sun Valley). The primary competitors in this market include five other ski areas: 49 Degrees North, Silver Mountain, Schweitzer, Lookout Pass, and Red Mountain. Table 4.1-3 presents the skier visitation at these ski areas from the 1996/97 season to 2005/06 along with the 5- and 10- year averages. Table 4.1-4 uses the 5- and 10-year averages to analyze the market share for each of the ski areas.